



**Betsy Gara
Executive Director
Connecticut Council of Small Towns
Before the GAE Committee
February 22, 2016**

**RE: HB-5049 - AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET
RECOMMENDATIONS FOR GENERAL GOVERNMENT.**

MUNICIPAL SET ASIDE REQUIREMENTS

The Connecticut Council of Small Towns (COST), which represents approximately 111 small towns throughout Connecticut, respectfully submits the following comments in support of provisions in **HB-5049 postponing the municipal set aside requirements**.

COST recognizes the importance of providing greater economic opportunities for small/minority owned contractors. Unfortunately, the Commission on Human Rights and Opportunities (CHRO) is not appropriately staffed to effectively administer the municipal set aside program, which became effective a few months after it was adopted. Moreover, the language of the act raises a number of questions about the application of the set aside program to municipalities, creating much confusion.

As a result, many municipal projects that are vital to maintaining critical infrastructure and supporting economic development have been completely stalled or significantly delayed due to questions and confusion about how to proceed with the program. For example, towns were initially advised that Community Development Block Grant (CDBG) and other federal pass through grant funding would not be subject to the set aside requirements. However, CHRO has recently advised towns that this funding, in fact, subject to the requirements.

Now these CDBG funded projects are on hold as municipalities struggle to develop bid notices, contract language and ensure that contractors bidding on such projects are eligible. What's also troubling is that delays that prevented CDBG funded projects from moving forward in 2015 may render communities ineligible for CDBG funding in 2016.

Municipalities and regional planning organizations are also preparing bid documents to move forward with federal Local Transportation Capital Improvement Program (LOTICIP) funded projects. Towns are questioning whether they will be able to move forward with these projects because they have not received responses from CHRO regarding questions with the program. Project delays will result in additional costs for communities and may halt projects altogether if they are not allowed to move forward soon, given the short construction timeframes for projects dependent on weather conditions.

The set aside requirements are also adding to the overall cost of projects in addition to imposing administrative burdens on towns. Given that towns must ensure that contractors are making a good faith effort to comply, the requirements are also resulting in additional legal costs for municipalities.

Although the additional costs are a major concern given the economic challenges facing our towns and cities, the biggest problem is that the requirements are bringing much-needed projects – and jobs - to a



standstill. The project threshold of \$50,000 covers just about every state-funded project imaginable, making it difficult for towns to move forward with even simple but much-needed maintenance projects.

In order to immediately address the concerns with this program, COST urges lawmakers to:

- 1) Request that the administration immediately suspend the requirements to ensure that stalled projects can move forward;**
- 2) Support provisions in HB-5049 postponing the application of the act until July 2019;**
- 3) Increase the project thresholds to \$1 million to exclude smaller projects; and**
- 4) Clarify that federal pass through funds are not subject to the set aside requirements.**

COST members stand ready to work the administration and lawmakers to address these issues to ensure that the goals of the program may be met without unduly burdening municipalities and undermining local economies.

MRSA REDUCTIONS

Section 18 of the bill allows Municipal Revenue Sharing Account (MRSA) payments to municipalities to offset revenue losses due to the motor vehicle tax cap to be reduced proportionately in the event that the total amount payable to all municipalities for this program exceeds the amount appropriated.

COST supports revisions to this section to **suspend the motor vehicle tax cap if MRSA funds are not available to offset revenue losses to municipalities**. When the cap was enacted, lawmakers took steps to ensure that town budgets would not be impacted by ensuring that revenue losses would be offset with MRSA funds. Failure to suspend the motor vehicle tax cap if MRSA funds are not available, may disrupt the delivery of critical services at the local level or shift more of the burden for property taxes to homeowners and businesses.

PILOT REIMBURSEMENTS – HOLD HARMLESS

HB-5049 includes provisions eliminating the hold harmless clause for PILOT reimbursements, allowing towns to receive less aid than they did in FY 15. This unfairly penalizes a number of small towns by reducing or eliminating PILOT reimbursements to offset exemptions for State-owned Property and Private Colleges and Hospitals Property.

Although COST recognizes that the state is grappling with challenging budget circumstances, the elimination of the hold harmless provision will disproportionately impact many small towns, based on the tiered PILOT reimbursement structure adopted last year.

Thank you for the opportunity to comment on HB-5049.